MULTI-YEAR BUDGET FORECAST

OVERVIEW

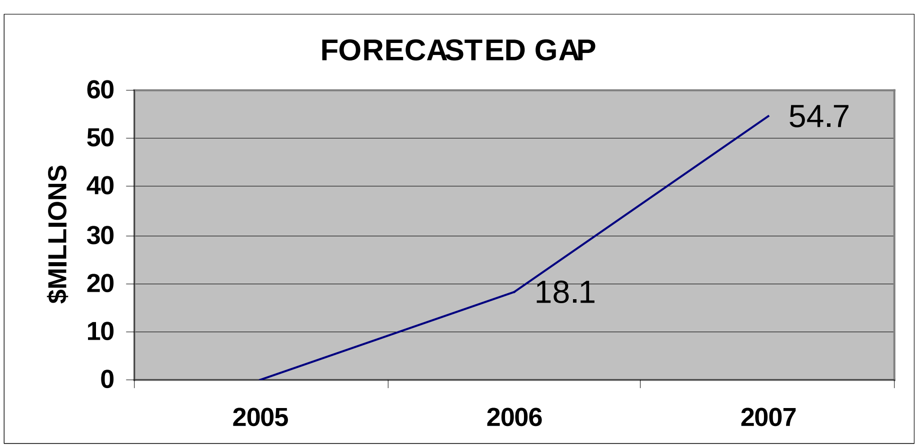
Pursuant to the recommendations of her Budget Advisory Team, the County Executive is initiating this Multi-Year Budget Forecast. The intent of providing this forecast is to help us better understand the challenges that lie ahead and the choices which must be made to create a sound, sustainable fiscal foundation for the County.

This forecast reflects the consequences of inaction going forward. The 2005 budget forms the baseline year; the cost and revenue forecasts for 2006 and 2007 are based on the midpoints of prior years' experience. They assume no further cost containment or revenue enhancement strategies will be enacted subsequent to implementation of the 2005 budget.

The model does not presume to surmise or speculate what changes the County Legislature or County Executive will determine to implement to impact the outcome. As such, the projected gap between revenues and expenditures could be more or less favorable dependent upon the choices and decisions made.

Any forecast is based on assumptions since it is trying to predict the results from events that have not occurred. The model does not predict changes in current service mandates or the funding for them at the federal, state or local level The costs of existing services are forecasted forward, and revenue growth, based on history, are compared to determine the gap between revenues and expenditures. While the multi-year projection is based on the most current data available, changes in economic conditions, federal and state funding sources and changes in employee compensation are among the many factors that can affect the forecast assumptions made in this presentation.

Given the various assumptions noted, it is projected that the County's cumulative gap of expenses over revenues for 2006-2007 will be $72.8 million. The primary contributing factors to the overall gap projection include increases in mandated Medicaid and public assistance benefits, which consume over 50% of all unallocated revenues available. Federal, state and local revenues such as sales tax are not projected to keep pace with the additional projected costs. In 2006 and 2007 sales tax revenue will be dwarfed by Medicaid costs with a projected gap of $112.6 million.



FORECAST TRENDS/ASSUMPTIONS

Medicaid

The Monroe County Budget includes Medicaid payments made to providers through the State Medicaid Management Information System (MMIS) for clients' medical services. It also includes payments made directly by the County for items such as third party insurance premiums and medical transportation. The forecast assumes 13.7% growth for MMIS expense with the exception of Family Health Plus which is projected at 15% growth. The direct payments are projected at the 2005 level.

Public Assistance Benefits

Public Assistance Benefits include several programs. Family Assistance and Safety Net provide families and individuals with monthly support. These are projected to have a 2% cost per case increase to address cost of living adjustments we have projected. Caseloads are forecast at 2005 levels. Special Children's Services, consisting of Early Intervention and Education for Children with Disabilities, is also forecast at a 2% increase.

Other programs are Day Care, Adolescent Care and Child Welfare which contains Foster Care and Adoption, and the Purchase of Services Division which includes Preventive and Protective Services for children and adults. These programs are all forecast at the 2005 level.

Personal Services/Employee Benefits

The County negotiates with various unions with regard to wage increases and benefit packages for employees. The economic climate and the current financial condition of the county weigh heavily during negotiations. Medical and retired medical expenses have significantly increased in recent years. The County has made efforts to control these costs by negotiating with a new insurance carrier. Pension costs have dramatically increased over the past few years. Stock market conditions have depleted pension funds causing the State Comptroller to increase the rate charged to counties. The forecast reflects adjustments resulting from the 2004-2005 State Budget and its treatment of retirement costs. Additional increases are forecasted for dental, workers compensation and liability insurances.

FORECAST TRENDS/ASSUMPTIONS (CONTINUED)

Expenses (equipment, contractual, supplies, services)

Expenses for equipment and supplies constitute a very small percentage of the total appropriations. The majority of appropriations in this category are for contracts and services required to maintain the activities of the department. The forecast assumes a maintenance of effort budget with a nominal increase of 1% to 2% to reflect increases in the Consumer Price Index.

Debt Service

Debt Service reflects primarily the principal and interest payments required for borrowings on capital projects. Capital projects are approved by the County Legislature as part of the Capital Improvement Program and the Capital Budget. The forecast reflects existing debt service schedules as well as anticipated borrowing needs for authorized projects and projects listed in the 2005-2010 Capital Improvement Program.

Property Tax

The Property tax rate has been held flat for this forecast period. The rate of $9.10 per thousand of assessed property value remains constant while a change for new assessment value is reflected.

Sales Tax

Sales tax revenues have increased in the past decade at an average rate of 2% to 3% per year. The forecast assumes a conservative rate of growth of approximately 2% per year, with sharing agreements remaining in place and the authorization of the additional 1% tax approved through 2007.

CLOSING THE GAP

If the Medicaid mandates continue to be passed along for the County to pay, the deficit shown here will require hard choices. Monroe Community Hospital, as mentioned in the Executive Summary, is another cause of the growing deficit due to reimbursement changes from Federal and State sources. Funding for services that the County provides its residents that are non-mandated—like Parks, Sheriff Road Patrol, County Infrastructure maintenance—is being appropriated to fund services the state requires the county to pay for.

The Financial Strategies for Monroe County include the need to fund a Tax and Service Stabilization Reserve Fund. The purpose of this fund is to allow stable tax and service levels during times of increasing costs. The deficit projected for through 2007 does not allow for contributions to this fund, resulting in challenges to maintain existing tax and service levels and a balanced budget.

The Budget Advisory Team recommended several areas that require longer term review before implementation. This forecast provides the roadmap of where Monroe County will be if no action is taken. Recommendations from the Budget Advisory Team include:

- Outsource the Management and Staffing at Monroe Community Hospital
- Inter Governmental and Intra Governmental consolidation
- Reduce county vehicle use
- Lower prescription costs
- Lower contract costs for many products and services
- Outsource Payroll services
- Implement “Pay to Stay” program for the County Jail
- Review benefits costs and programs
- Outsource Prison Management
- Review the District Attorney’s role in municipal courts
- Expand shared resources across county departments
- Market Fleet Maintenance services to other municipalities
- Sell naming rights at county Parks
- Expand Conflict Defenders office to include felony cases
- Market Monroe County information from GIS system and County Clerk data
- Lobby for improvement in Federal and State funding
- Implement incentive program for county employees

These recommendations either lower costs and/or raise revenues. Implementation of these recommendations requires change. Fiscal Stability will require everyone’s involvement.

FORECAST DETAIL

($millions)

The amounts presented by category reflect the gross appropriations (add to gap) and gross revenues (reduce gap) by category.

	2005 BUDGET	2006 PROJECTION	2007 PROJECTION
MEDICAID			
EXPENSES	201.8	222.4	250.5
FEDERAL & STATE REVENUES	(50.5)	(54.4)	(58.9)
PUBLIC ASSISTANCE BENEFITS			
EXPENSES	227.4	229.8	232.2
FEDERAL & STATE REVENUES	(165.1)	(166.6)	(168.2)
DEPARTMENTAL SERVICES			
PERSONAL SERVICES & BENEFITS	268.9	283.7	302.1
EXPENSES (SUPPLIES/SERVICES/EQUIPMENT)	233.4	236.9	240.5
DEBT SERVICE	50.9	52.0	60.0
DEPARTMENTAL REVENUES *(Offset Expenses)*	(351.7)	(362.3)	(371.6)
PROPERTY TAX LEVY ***(Existing Tax rate held flat)***	(295.2)	(301.1)	(307.1)
SALES TAX	(119.9)	(122.3)	(124.7)
EXPENSES OVER REVENUES	***0.0***	***18.1***	***54.7***
CUMULATIVE GAP		***18.1***	***72.8***